

Fiscal Note

Fiscal Services Division



HF 2406 – Greyhound Racing (LSB 5742HV)

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Fiscal Note Version – New

Description

House File 2406 allows gaming establishments (licensees) that operate pari-mutuel dog racing to discontinue live and simulcast racing. This Bill allows the licensee to continue operating other types of gambling games as well as the simulcast of horse racing. This Bill creates a Live Racing Cessation Fee for the racetracks located in Dubuque and Pottawattamie counties as follows:

- Dubuque Racetrack (Mystique): Fees totaling \$15.0 million paid over a six-year period that include \$2.142 million paid at the time racing is discontinued and \$2.143 million per year to be paid on July 1 over the following six years.
- Pottawattamie Racetrack (Bluffs Run): Fees totaling \$55.0 million paid over a six-year period that include \$7.852 million paid at the time racing is discontinued and \$7.858 million per year to be paid on July 1 over the following six years.

This Bill creates a Pari-Mutuel Racing Retirement Fund and transfers the following revenue sources to the Fund:

- Funds remaining in the Dog Racing Promotion Fund (approximately \$17,500)
- Live Racing Cessation Fee created in this Bill (\$70.0 million over six years)
- The remaining balance of all dog purse supplement payments (balance unknown)
- Proceeds from the Greyhound Racing Escrow Fund (approximately \$4.2 million)

The proceeds in the Pari-Mutuel Racing Retirement Fund are to be distributed to greyhound owners, breeders, kennel operators, any persons involved in Iowa greyhound racing, and no-kill animal adoption agencies. This Bill establishes general guidelines for how the funds will be distributed to eligible recipients. This Bill allows the Commission to retain a portion of the funds to pay for a consultant to assist the Commission with the development of a distribution plan.

Background

There are two locations in Iowa where live dog racing is operated. In Dubuque County, the racetrack is managed and operated by the Mystique Greyhound Park and Casino. In Pottawattamie County, the racetrack is managed and operated by Horseshoe Casino and Bluffs Run Greyhound Park. Both casinos also offer other forms of gambling (i.e., slot machines and table games). In addition to live racing, dog races are also simultaneously telecast (simulcast) at both of the above locations as well as Prairie Meadows Racetrack and Casino in Altoona.

Iowa Code section [99F.6\(4\)\(b\)](#) requires a contract to be annually negotiated between the Iowa Greyhound Association and each dog racetrack licensee to specify the amount of gambling game proceeds to be dedicated to supplement the purses of live dog races. In calendar year 2013, the amount that was supplemented by the racetracks totaled \$10.2 million.

Under current law, any winnings not claimed by a person that placed a wager within 60 days of the close of a race is forfeited to the State and deposited in the Unclaimed Winnings Fund. The proceeds of the Unclaimed Winnings Fund are appropriated by the General Assembly to the Department of Agriculture and Land Stewardship (DALs) to administer the Iowa Horse and Dog Breeding Program. The Program provides registration and inspection of horses and dogs that are

bred in Iowa for racing purposes. Revenue from unclaimed winnings from both dog and horse racing totals approximately \$225,000 to \$240,000 annually.

Assumptions

- The pari-mutuel tax rate for live dog racing is 4.0% and is assessed on the total gross sum wagered. Of this, 3.0% is remitted to the State and deposited in the Rebuild Iowa Infrastructure Fund, and 1.0% is remitted to the cities and counties where the racetracks are located.
- The tax rate for simulcast dog racing is 2.0%. Of this, 1.0% is remitted to the State and deposited in the Rebuild Iowa Infrastructure Fund, and 1.0% is remitted to the cities and counties where the racetracks are located.
- Racing activity in FY 2015 and subsequent years will be similar to calendar year 2013.
- The annual total gross sum wagered on live dog racing will be \$5.8 million and \$6.3 million on simulcast dog racing.
- Horse racing will continue to be simulcast at all Iowa racetracks, therefore, not impacting the \$200 daily license fee remitted to the State under Iowa Code section [99D.14\(3\)](#).
- This Bill is effective on enactment. For estimation purposes, it is assumed this Bill will take effect on April 1, 2014.

Fiscal Impact

[House File 2406](#) is estimated to result in a \$67,000 reduction of pari-mutuel tax revenue for the Rebuild Iowa Infrastructure Fund in FY 2014 and \$238,000 in FY 2015 and each year thereafter.

This Bill is also estimated to reduce annual pari-mutuel tax revenue for local governments in Dubuque, Pottawattamie, and Polk counties by a total of \$33,000 in FY 2014 and \$121,000 in FY 2015 and each year thereafter.

The discontinuance of dog racing is estimated to reduce revenue deposited in the Unclaimed Winnings Fund by \$71,000. According to the DALS, future inspections of greyhound breeders and associated fees will fall under the regulation of commercial breeders in Iowa Code [chapter 162](#).

The Racing and Gaming Commission spends an estimated \$573,000 for kennel inspections and drug testing of dogs at the racetracks. The costs are billed back to the tracks and the fees are deposited in the Gaming Regulatory Revolving Fund. Under [HF 2406](#), the inspections and drug testing will be discontinued, eliminating the need to bill the industry for these services.

The Pari-Mutuel Racing Retirement Fund will receive an estimated \$74.2 million, including the live racing cessation fee, over a six-year period from the racetrack casinos. The money will be distributed by the Racing and Gaming Commission to greyhound owners, breeders, kennel operators, any persons involved in Iowa greyhound racing, and no-kill animal adoption agencies.

Sources

Iowa Racing and Gaming Commission
Department of Agriculture and Land Stewardship

/s/ Holly M. Lyons

March 3, 2014

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
